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FEB 25 2016

BOARD OF  
COUNTY COUNCILORS

February 18, 2016

Mr. Mark McCauley  
Acting County Manager  
Clark County Washington  
PO Box 5000  
Vancouver, WA 98666-5000

RE: Port of Vancouver USA's Foreign-Trade Zone Application

Dear Mr. *Mark* McCauley:

The Port of Vancouver USA (port) is applying for a Foreign-Trade Zone (FTZ) in Clark County, and we need your help.

An FTZ is an area where foreign and domestic merchandise/commodities are considered to be in an international commerce zone. Special customs procedures apply in FTZs, which save users money by deferring taxes on the imported merchandise until the merchandise physically leaves the FTZ.

FTZs are a major economic engine in the U.S., employing approximately 420,000 people in 2014, with shipments valued at more than \$798 billion. Other ports along the Columbia River and across Washington State use FTZs to increase their competitiveness in the global marketplace and bring economic value to their communities and region.

The FTZ Board's approval of a Foreign-Trade Zone for Clark County will provide an opportunity for some Clark County businesses to grow and prosper, and will be an incentive for other businesses to locate in our area. The opportunity of utilizing an FTZ provides for growth in manufacturing and production and will be a marketing tool for our region.

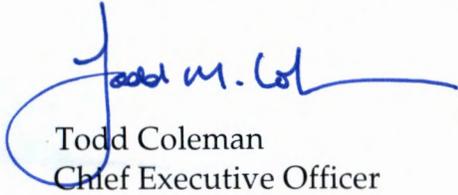
The FTZ Board requires we receive support from any jurisdiction proposed for inclusion in our proposed FTZ service area. We are pursuing the entire Clark County area for inclusion within our service area, and are asking for your support in this endeavor. For your convenience, please find attached a support letter template. We ask that you please return your signed letter of support for a Foreign Trade Zone to me in

two weeks from the date of this letter. You may provide this letter in electronic or printed form.

We welcome any questions you may have, and appreciate your time and commitment to the Port of Vancouver USA.

Sincerely,

PORT OF VANCOUVER USA



Todd Coleman  
Chief Executive Officer

Attachments (sample support letter & FTZ Supporting document)

Your Letterhead/Logo

## SAMPLE SUPPORT LETTER TO PORT OF VANCOUVER USA (For Clark County BOC)

Date

Mr. Todd Coleman, CEO  
Port of Vancouver USA  
3103 NW Lower River Road  
Vancouver, WA 98660

RE: Letter of Support for the Vancouver Washington Foreign Trade Zone

Dear Mr. Coleman:

The purpose of this letter is to document the support of this county for inclusion within the Service Area of the Vancouver, Washington Foreign-Trade Zone. We understand that this means that the grantee, the Port of Vancouver, will be able to apply to the Foreign-Trade Zones Board for authority to serve sites located within this county based on businesses' trade-related needs. We also note that the zone will be made available on a uniform basis to companies within this county, in a manner consistent with the legal requirement that each FTZ be operated as a public utility.

Sincerely,

Board of County Councilors

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Marc Boldt - Council Chair

Jeanne E. Steward, Councilor District 1  
Julie Olson, Councilor District 2  
David Madore, Councilor District 3  
Tom Mielke, Councilor District 4



## **SUPPORT FOR PORT OF VANCOUVER'S APPLICATION FOR A U.S. FOREIGN-TRADE ZONE COVERING CLARK COUNTY, WASHINGTON**

The United States Foreign-Trade Zones Program was founded through the Foreign-Trade Zones Act of 1934 and encourages foreign commerce in the United States by allowing special customs-related benefits to businesses locating their international operations in a Foreign Trade Zone (FTZ).

The program is administered by the Foreign-Trade Zones Board. The Board is responsible for licensing and monitoring FTZs across the United States and Puerto Rico, and granting authority to local organizations (usually public) to establish and operate FTZs in their communities. These grants of authority are obtained through an application to the Board. If the application is approved, the applicant is referred to as the grantee of the newly established zone. Operations within the zone are overseen by the local U.S. Customs and Border Protection (CBP) office (*Portland CBP will have oversight*). Any company seeking to operate in the zone must first obtain activation approval from CBP.

### **Applying for Foreign-Trade Zone status:**

Organizations submitting applications must be qualified to apply for a zone grant of authority under state laws (*Port of Vancouver will be the Grantee*). Applicants are usually state, county or public organizations such as port authorities or economic development agencies. All zones must be operated as a public utility with equal access provided to all potential use at fair and reasonable rates.

Under the Board's regulations, FTZ sites must be in or adjacent to a CBP port of entry, meaning that each site associated with the zone must be no more than 60 miles or 90 minutes' driving time of the outer limits of a CBP Port of Entry. All of Clark County is within 90 minute driving time of Portland CBP. Each CBP port of entry is entitled to a zone. Applicant's proposing a FTZ for a CBP Port of Entry already served by a zone must justify why an additional zone is needed to meet the convenience of commerce.

In applying to establish a FTZ, the applicant has two options in terms of the framework under which the zone will operate:

- The Traditional Site Framework (TSF) is designed to serve zones that are focused on attracting FTZ activities to a limited number of fixed FTZ sites that serve multiple users such as port or airport facilities.

- The Alternative Site Framework (ASF) is designed to serve zones that want the flexibility to both attract users/operators to certain fixed sites and also want the flexibility to serve companies at other locations where the demand for FTZ services arises in the future. Port of Vancouver is filing under ASF.

Under ASF, Foreign-Trade Zones are based on a service area. The service area is defined as one or more jurisdictions (often counties) within which the grantee will be able to propose zone sites. Clark County is our proposed Service Area. The ASF allows grantees to use a simple, 30-day process to establish new sites geared towards specific companies either as a Subzone or a Usage-driven site. These sites enable grantees to locate zone designation where companies' needs actually arise. By bringing zone designation to firms, subzones or usage-driven sites help grantees respond to growth opportunities in the local economy and largely eliminate the need to try to anticipate where future activity may occur.

### **The Five Principal Benefits to Companies Utilizing FTZ:**

1. Postponement of duty and excise tax payment on foreign merchandise until said merchandise physically leaves the FTZ facility either in its condition as admitted into the FTZ or as part of a finished article -- commonly referred to as "the duty deferral principle."
2. Reduction of customs duties on foreign components/raw materials (inputs) which carry a higher duty rate than the finished article (output) -- commonly referred to as "the inverted tariff principle." The company can reduce the rate of duty from the higher rate that may apply to the input to the lower rate of duty that may apply to the output.
3. Elimination of customs duties on foreign merchandise re-exported from the United States either in its condition as admitted into the FTZ or as part of a finished article.
4. Elimination of customs duties on foreign merchandise which is defective or which, during the production cycle, become waste.
5. Logistics advantages, such as direct delivery and weekly estimated entries (which can result in savings with respect to Merchandise Processing Fee payments).